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DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
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Division of Oil, Gas and Mining

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Division Director

June 14, 2016

CERTIFIED RETURN RECEIPT
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David McMullin
CS Mining LLC
P. O. Box 608
Milford, Utah 84751

Subject: Directive to Amend Notice of Intention and Reclamation Cost Calculations, CS Mining LLC, Hidden Treasure Mine, M/001/0067, Beaver County, Utah

Dear Mr. McMullin:

On May 4, 2016, and May 24, 2016, the Division of Oil, Gas and Mining (Division) received email copies of the water monitoring report from the first quarter of 2016. These were originally sent to Utah Division of Water Quality (DWQ). This report includes the results of sampling and analyses of monitoring well and tailings decant water associated with the acid leach, SX-EW, and Intermediate Tailings Disposal Facility (ITDF) processes and materials. The ITDF tailings decant water characterized in this report is acidic and has relatively high concentrations of multiple deleterious metals and total dissolved solids. The approved Notice of Intention as written does not account for these conditions.

By July 1, 2016, you are hereby directed to amend the Notice of Intention to Commence Large Mining Operations, consistent with R647-4, as follows:

- 1) Update the operation plan by summarizing:
 - a. Current operating and ITDF conditions (including water quality), and
 - b. The mining and processing practices and unanticipated geochemical and other conditions that have resulted in the current low pH conditions in the ITDF tailings impoundment.
- 2) Update the reclamation plan by identifying specific plans for:
 - a. The neutralization of current tailings decant water, including the timing of neutralization, and
 - b. The neutralization of future process water prior to placement in the ITDF



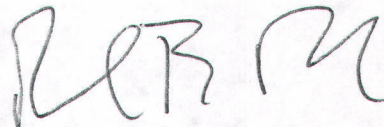
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- 3) Amend the reclamation cost estimate to include third-party reclamation costs for:
- a. Neutralization and evaporation of the existing and future ITDF tailings decant water that is acidic, and
 - b. Other previously mischaracterized reclamation activities (such as over-estimated process solution removal from tanks) for which reclamation costs were determined to be unrealistic. These have been previously discussed with Aly Swenson.

Failure to neutralize the tailings decant water, to allocate appropriate reclamation surety, or to update the Notice of Intention is likely to result in Division enforcement action.

Thank you for your recent communication, cooperation, and understanding. If you have questions about the requirements of this letter, please contact Peter Brinton at 801-538-5258, or me at 801-538-5261.

Sincerely,



Paul B. Baker
Minerals Program Manager

PBB:pb

cc: Mark Novak, DWQ (mnovak@utah.gov)
Ed Ginouves, Cedar City BLM (eginouve@blm.gov)

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